



Building Momentum: Avalon Targets the Next Big Leap...

Avalon Technologies sustaining strong growth momentum Q3 FY25, driven by US market recovery, Indian market expansion, and advancements in automotive, aerospace, and industrial sectors. Strategic shifts toward an 88-12 manufacturing split favoring India are enhancing profitability. With robust order book growth of 30% YoY and a strong pipeline, the company is well-positioned to achieve 30-35% CAGR over the next few years. Improved gross margin guidance of 34-36%, revenue growth guidance of 22-24% for FY25, and better working capital efficiency further bolster its growth outlook..

- INR revenue came in at INR 2,809 Mn, +31.1% YoY / +2.1% QoQ and -2.9% vs our estimates.
- EBITDA stood at INR 346 Mn, +109.5% YoY / +14.9% QoQ and +7.8% vs our estimates.
- EBITDA margins: 12.3%, vs 7.7% / 11% in Q3FY24 / Q2FY25 respectively
- PAT came in at INR 240 Mn, +264.9% YoY / +37.2% QoQ and +27.4% vs our estimates.
- PAT margins: 8.2%, vs 3% / +6.3% in Q3FY24 / Q2FY25 respectively
- EPS at INR 3.6 in Q3FY25 vs 1 / 2.6 in Q3FY24 / Q2FY25 respectively

Geography-wise

- India contributed 42% of revenue in 9MFY25 vs 46% of revenue in FY24.
- US contributed 58% of revenue in 9MFY25 vs 54% of revenue in FY24.
- India manufacturing contributed to 88% in Q3FY25 vs 77% in Q3FY24.
- US manufacturing contributed 12% in Q3FY25 vs 23% in Q3FY24.

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	6,905	8,407	9,447	8,672	10,604	14,315	18,609
EBIDTA	661	975	1,128	625	1,085	1,684	2,545
Margins	9.6	11.6	11.9	7.2	10.2	11.8	13.7
PAT (adj)	215	632	525	280	637	1,100	1,774
Growth (%)	86.7	192.3	-22.2	-46.7	127.6	72.6	61.3
EPS	26.92	79.16	9.06	4.26	9.65	16.66	26.87
P/E (x)	27	9	81	172	76	44	27
P/B (x)	10	7	8	9	8	7	5
EV/EBITDA (x)	4	3	41	77	44	28	19
RoE (%)	36	55	10	5	10	15	20
ROCE (%)	16	24	13	8	14	20	26
RoIC (%)	14	19	18	8	13	17	22
Gross Fixed Asset Turn	7	8	8	6	6	7	9

Source: Dalal and Broacha

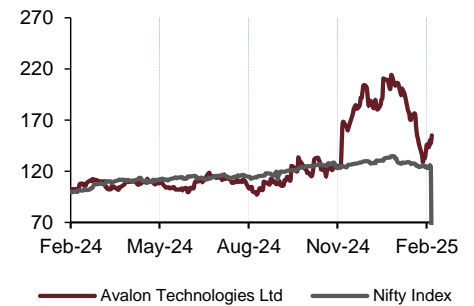
Rating	TP (Rs)	Up/Dn (%)
BUY	940	28

Market data

Current price	Rs	733
Market Cap (Rs.Bn)	(Rs Bn)	48
Market Cap (US\$ Mn)	(US\$ Mn)	554
Face Value	Rs	2
52 Weeks High/Low	Rs	1074 / 425
Average Daily Volume	('000)	977
BSE Code		543896
Bloomberg		AVALON.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	50.87	50.91
Public	49.13	49.09
Total	100.00	100.00

Source: BSE

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Concall Highlights

Financial Performance & Growth

- Revenue Growth: Reported a 31.1% YoY increase in revenues for Q3 FY25.
- Gross Margin Improvement: Improved from 36.8% in Q3 FY24 to 37.3% in Q3 FY25;
- EBITDA Growth: Absolute EBITDA grew by 109.5% YoY, with margins rising to 12.3%.
- Order book: INR 15,940 Mn (+25% YoY) + Long term contracts, INR 11,110 (+31.8% YoY).

Manufacturing & Operations

- 88% of manufacturing is in India with 15% EBITDA and 10.8% PAT margins; US contributes 12% of revenue.
- New export-dedicated Chennai plant operational; brownfield expansion for domestic needs to begin next quarter.

Key Growth Drivers

- US Market Recovery: Recovery of the existing US customer base.
- New US Business: Progress in industrial, automotive, and aerospace sectors from design and prototype to commercial production.
- Expanding Indian Market: Key wins in industrial, rail, and communication sectors transitioning to commercial production.

Sector Performance

- Diversified Growth: Growth across industrial, mobility, and clean energy sectors.
- Clean Energy: Grew by 53% YoY in Q3.
- Industrial: Grew by 57% YoY in Q3.
- Moving from prototype to volume production across sectors.
- Automotive: Transitioning to volume production for a global motion control company.
- Aerospace: Advancing from prototypes to significant business wins.
- Clean energy production commenced, though still a small segment.

US Operations

- Net loss reduced to ₹3.4 crores (vs ₹14 crores in Q1 FY25).
- Strategic for serving US clients and engineering support.

Risks and Opportunities

- US Political Climate: Prepared for potential political changes; can shift production between India and the US.
- Diversification: Aims for balanced revenue between India and the US.
- Customer Diversification: Not reliant on a single sector, ensuring stability.

Working Capital

- Net working capital days reduced from 161 in March 2024 to 150 in December 2024.
- Temporary increase in receivable days noted.
- On track to reduce the Net working capital days by 10-15 days in FY25.

FY25e Outlook

- Revenue Guidance: FY25 revenue growth guidance increased to 22-24% (from 16-20%).
- FY25 gross margin guidance raised to 34-36% (from 33-35%).

Valuation & Outlook

Avalon Technologies is currently trading at 76x / 44x / 27.3x FY25e / FY26e / FY27e P/E.

The company continues the growth momentum gained in the last quarter. Key growth drivers include the recovery of the US market, expansion in the Indian market, and progress in the automotive, aerospace, and industrial sectors, transitioning from prototype to volume production. The US facility remains strategically important, although the company is shifting toward an 88-12 manufacturing split favoring India for better profitability.

Avalon's global manufacturing footprint provides flexibility to navigate potential policy changes in the US regarding manufacturing. Recent capacity additions for exports and the planned brownfield expansion for domestic demand, along with its capex-light model, position the company well for future growth. With a strong order book, which grew 30% YoY, and a robust pipeline, we believe management can sustain industry-level growth rates of 30-35% CAGR over the next few years.

Avalon continues to deliver industry-leading gross margins and has revised its guidance upwards to 34-36%, along with increasing its FY25 revenue growth guidance to 22-24%. Management expects margins to remain robust through product mix optimization and strategic production ramp-ups. Working capital efficiency remains a priority, with the company on track to improve net working capital days by 10-15 days in FY25, progressing toward its pre-COVID target of 90 days, which is expected to free up additional cash to support growth and profitability.

Avalon is well-positioned for medium- to long-term growth as new client wins ramp up production in the coming quarters. With strong growth levers in place, management is confident in doubling the topline over the next three years.

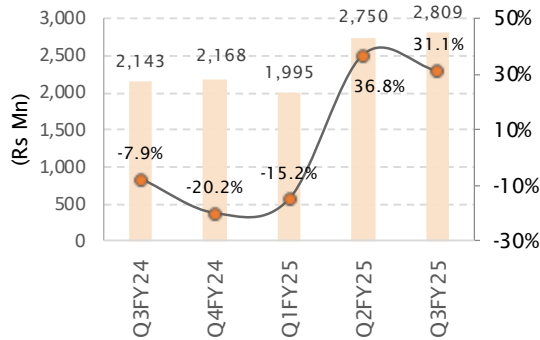
We assign a BUY rating to the stock, applying a target multiple of 35x FY27e, arriving at a target price of INR 940.

Quarterly Deviation Sheet

(Rs.Mn)	Q3FY25	Q3FY24	Yoy Growth	Q2FY25	QoQ Growth (%)	Q3FY25E	Deviation
Revenue from Operations	2,809	2,143	31.1%	2,750	2.1%	2,893	-2.9%
Other Income	100	22	359.9%	39	154.6%	39	
COGS	1,760	1,353	30.1%	1,737	1.3%	1,822	
Employee Benefits Expense	494	459	7.6%	467	5.7%	492	
Other Expenses	208	166	25.8%	245	-14.9%	257	
Total Expenses	2,462	1,977	24.5%	2,449	0.5%	2,572	
EBITDA (Excl Other Income)	346	165	109.5%	301	14.9%	321	7.8%
Depreciation	74	60	22.7%	69	7.1%	69	
EBIT / PBIT	372	127	193.3%	272	37.0%	291	27.7%
Finance Costs	45	36	24.5%	37	20.8%	34	
EBT/ PBT	327	91	260.8%	234	39.6%	258	26.9%
Tax Expense	87	25	250.1%	60	46.5%	70	
Net Profit after Tax	240	66	264.9%	175	37.2%	188	27.4%
Adj Earning Per Share	3.6	1.0	262.1%	2.6	37.0%	2.8	27.2%
No of Shares Diluted (mn)	66.2	65.6		66.0		66.0	
Margins Analysis (%)			bps		bps		
Gross Margins	37.3%	36.8%	48	36.8%	48	37.0%	32
EBITDA Margins (Excl OI)	12.3%	7.7%	462	11.0%	137	11.1%	123
PAT Margins	8.2%	3.0%	521	6.3%	198	6.4%	183
Effective Tax Rate %	26.7%	27.5%	-82	25.4%	126	27.0%	-32
Cost Analysis (%)			bps		bps		
COGS as a % to sales	62.7%	63.2%	-48	63.2%	-48	63.0%	-32
EE Cost as a % to sales	17.6%	21.4%	-383	17.0%	59	17.0%	58
Other exps as a % to sales	7.4%	7.7%	-31	8.9%	-148	8.9%	-148

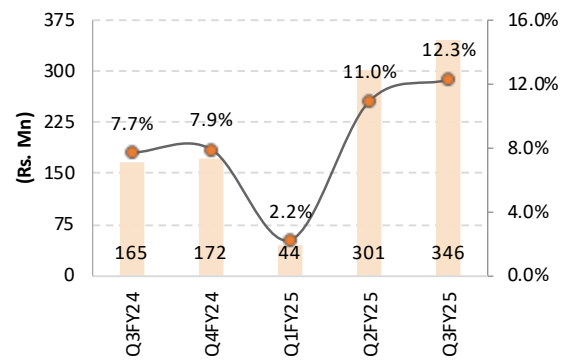
Source: Company, D&B Research

Net Sales Trajectory (Rs Mn)



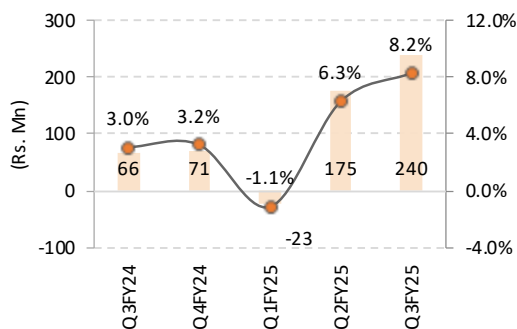
Net Sales (Rs Mn) Growth YoY %

EBITDA & EBITDA Margin Trajectory



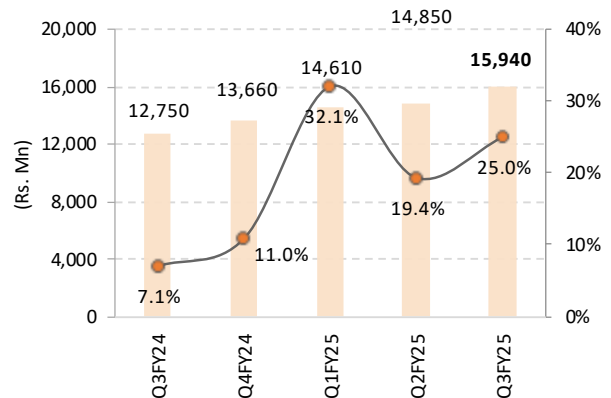
EBITDA (Rs Mn) EBITDA Margin (%)

Adj. PAT Trajectory



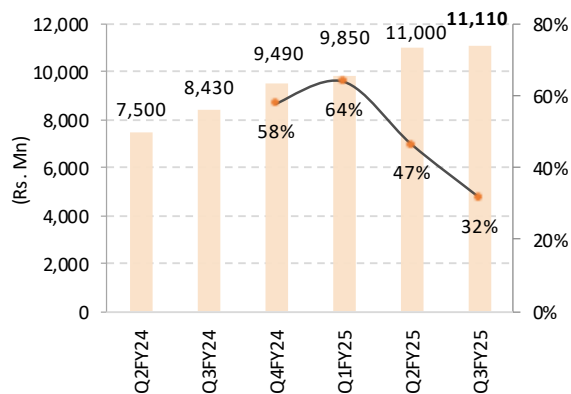
Adjusted PAT (Rs Mn) PAT Margin (%)

Order book (Rs Mn)



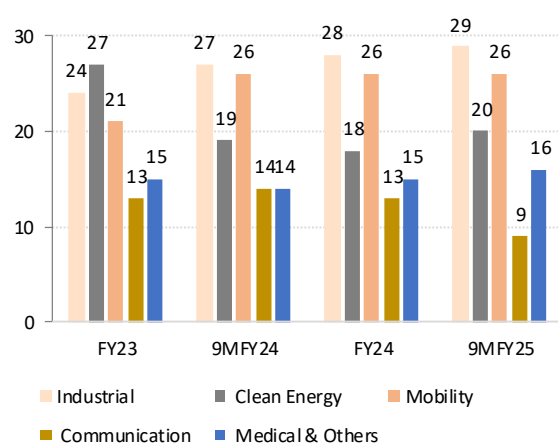
Order book (Rs Mn) Growth YoY %

LOI (Rs Mn)



LOI (Rs Mn) Growth YoY %

Industry wise Revenue Mix %



Source: Company, D&B Research

Exhibit 1: Annual Peer Comparison

Company Name		KAYNES IN Equity	SYRMA IN Equity	DIXON IN Equity	AMBER IN Equity	PGEL IN Equity	Cyient DLM IN Equity	AVALON (DnB Est)	AVALON IN Equity	Deviation
CMP (₹)		4,302	523	15,120	6,874	881	446	712	712	
Mcap (₹ Mn)		275,325	93,014	904,173	232,324	249,406	35,380	4,698	4,698	
Revenue (₹ Mn)	FY24	18,046	31,538	176,909	67,293	27,465	11,919	8,672	8,672	
	FY25E	27,888	43,100	395,958	94,119	41,726	15,792	10,604	10,574	30
	FY26E	42,417	57,873	570,892	114,617	51,877	19,640	14,315	13,743	572
	FY27E	60,635	75,939	726,060	139,798	65,162	24,587	18,609	17,317	1,292
EBITDA (₹ Mn)	FY24	2,542	1,985	6,976	4,919	2,668	1,110	625	625	
	FY25E	4,100	3,035	14,786	7,260	4,009	1,347	1,085	1,049	36
	FY26E	6,331	4,193	21,616	9,119	5,130	1,981	1,684	1,594	90
	FY27E	9,308	5,635	28,220	11,404	6,849	2,618	2,545	2,161	384
EBITDA Margin (%)	FY24	14.1%	6.3%	3.9%	7.3%	9.7%	9.3%	7.2%	7.2%	
	FY25E	14.7%	7.0%	3.7%	7.7%	9.6%	8.5%	10.2%	9.9%	0%
	FY26E	14.9%	7.2%	3.8%	8.0%	9.9%	10.1%	11.8%	11.6%	0%
	FY27E	15.4%	7.4%	3.9%	8.2%	10.5%	10.6%	13.7%	12.5%	1%
PAT (₹ Mn)	FY24	1,833	1,087	3,678	1,329	1,350	612	280	280	
	FY25E	2,900	1,640	8,149	2,621	2,427	703	637	602	35
	FY26E	4,135	2,352	12,112	3,936	3,366	1,196	1,100	980	120
	FY27E	6,072	3,307	15,421	5,590	4,540	1,679	1,774	1,381	393
Adj EPS	FY24	30.2	6.1	62.8	39.4	5.4	8.4	4.3	4.2	
	FY25E	45.5	9.0	133.4	77.5	9.0	8.9	9.7	9.2	0.4
	FY26E	64.7	13.0	202.0	116.6	12.5	15.1	16.7	14.9	1.7
	FY27E	94.6	18.2	274.7	165.5	16.0	21.2	26.9	21.0	5.9
PE (x)	FY24	142.3	85.2	240.6	240.6	162.9	53.2	167.1	169.9	-3
	FY25E	94.5	57.9	113.4	113.4	97.7	50.3	73.8	77.0	-3
	FY26E	66.5	40.2	74.8	74.8	70.7	29.6	42.7	47.7	-5
	FY27E	45.5	28.7	55.0	41.5	54.9	21.1	26.5	33.9	-7
Revenue CAGR	(FY24-26E)	53%	35%	80%	31%	37%	28%	28%	26%	3%
EBITDA CAGR	(FY24-26E)	58%	45%	76%	36%	39%	34%	64%	60%	4%
PAT CAGR	(FY24-26E)	50%	47%	81%	72%	58%	40%	98%	87%	11%
EPS CAGR	(FY24-26E)	46%	46%	79%	72%	52%	34%	98%	89%	9%
Revenue CAGR	(FY24-27E)	50%	34%	60%	28%	33%	27%	29%	26%	3%
EBITDA CAGR	(FY24-27E)	54%	42%	59%	32%	37%	33%	60%	51%	8%
PAT CAGR	(FY24-27E)	49%	45%	61%	61%	50%	40%	85%	70%	15%
EPS CAGR	(FY24-27E)	46%	44%	64%	61%	44%	36%	85%	71%	14%

Source: Company, Bloomberg, Dalal & Broacha Research

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	6,905	8,407	9,447	8,672	10,604	14,315	18,609
Operating Expenses	-4,560	-5,541	-5,947	-5,523	-6,754	-9,305	-12,096
Employee Cost	-1,192	-1,314	-1,714	-1,850	-1,924	-2,309	-2,678
Other Expenses	-491	-577	-659	-673	-840	-1,017	-1,291
Operating Profit	661	975	1,128	625	1,085	1,684	2,545
Depreciation	-157	-180	-197	-229	-274	-270	-275
PBIT	504	795	931	396	811	1,415	2,270
Other income	54	109	144	149	223	223	223
Interest	-270	-248	-348	-164	-161	-120	-95
PBT	288	656	727	381	873	1,518	2,398
Profit before tax (post exceptional)	288	856	727	381	873	1,518	2,398
Provision for tax	-57	-182	-202	-101	-236	-417	-623
Reported PAT	231	675	525	280	637	1,100	1,774
MI	-16	-43	-	-	-	-	-
Owners PAT	215	632	525	280	637	1,100	1,774
Adjusted Profit (excl Exceptionals)	215	485	525	280	637	1,100	1,774

Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	16	16	116	131	132	132	132
Reserves	583	872	5,254	5,342	5,979	7,080	8,854
Net worth	599	888	5,370	5,473	6,111	7,212	8,986
MI	-317	-	-	-	-	-	-
Non Current Liabilites	1,051	1,016	1,074	1,030	887	794	816
Current Liabilites	3,792	3,990	5,443	2,804	2,817	3,233	3,605
TOTAL LIABILITIES	5,125	5,894	11,887	9,308	9,815	11,239	13,407
Non Current Assets	1,329	1,391	1,767	2,220	2,292	2,247	2,238
Fixed Assets	841	918	1,086	1,257	1,236	1,124	1,038
Right of Use Assets	200	244	342	409	478	520	571
Financial Assets	43	53	53	219	230	242	254
Deferred Tax Asset	232	159	132	180	185	190	196
Other Non Current Assets	12	18	153	155	162	171	179
Current Assets	3,796	4,503	10,120	7,088	7,524	8,991	11,169
Current investments	-	-	-	755	830	913	1,005
Inventories	1,458	2,330	3,179	3,163	3,701	4,589	5,799
Trade Receivables	1,819	1,774	2,062	1,869	2,179	2,941	3,824
Cash and Bank Balances	335	101	4,222	1,065	577	312	304
Other Financial Assets	14	13	37	7	7	8	8
Other Current Assets	170	284	619	229	229	229	229
TOTAL ASSETS	5,125	5,894	11,887	9,308	9,815	11,239	13,407

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
ROA	4.2	8.2	4.4	3.0	6.5	9.8	13.2
Current Assets	3,461	4,401	5,898	5,267	6,116	7,766	9,860
Net Debt	2,618	2,839	-1,160	-179	-216	-334	-603
Gross Fixed Asset Turn	7	8	8	6	6	7	9
Net Fixed Asset Turn	8	9	10	8	10	16	23

Source: Company, Dalal & Broacha Research

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	288	856	727	381	873	1,518	2,398
Depreciation	157	180	197	229	274	270	275
Net Chg in WC	-555	-760	-936	-234	-538	-1,038	-1,525
Taxes	-35	-125	-194	-164	-236	-417	-623
Others	200	6	74	-39	152	111	85
CFO	55	157	-132	173	525	443	610
Capex	-192	-177	-274	-355	-450	-354	-385
Net Investments made	-99	-6	2	15	-	-	-
Others	29	-	18	-1,121	-	-	-
CFI	-263	-184	-254	-1,461	-450	-354	-385
Change in Share capital	73	-68	4,815	4,642	-	-	-
Change in Debts	440	86	48	-1,961	-450	-300	-186
Div. & Div Tax	-37	-38	-55	-41	-	-	-
Others	-201	-189	-262	-5,148	-113	-55	-47
CFF	275	-209	4,546	-2,508	-563	-355	-233
Total Cash Generated	67	-236	4,159	-3,796	-488	-266	-8
Cash Opening Balance	266	335	101	4,222	1,065	577	312
Cash Closing Balance	333	99	4,261	427	577	312	304

Ratios	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	9.6	11.6	11.9	7.2	10.2	11.8	13.7
NPM	3.1	5.7	5.5	3.2	5.9	7.6	9.4
Tax rate	-19.9	-21.2	-27.8	-26.4	-27.0	-27.5	-26.0
Growth Ratios (%)							
Net Sales	7.6	21.8	12.4	-8.2	22.3	35.0	30.0
Operating Profit	2.6	47.5	15.6	-44.6	73.6	55.3	51.1
PBIT	2.9	57.8	17.1	-57.5	104.7	74.5	60.4
PAT	86.7	192.3	-22.2	-46.7	127.6	72.6	61.3
Per Share (Rs.)							
Net Earnings (EPS)	26.92	79.16	9.06	4.26	9.65	16.66	26.87
Cash Earnings (CPS)	46.64	101.70	12.45	7.75	13.80	20.74	31.03
Book Value	75.07	111.19	92.66	83.29	92.53	109.19	136.06
Free Cash Flow	-25.25	-7.90	-5.17	-4.05	-1.85	-1.46	0.68
Valuation Ratios							
P/E(x)	27	9	81	172.0	76.0	44.0	27.3
P/B(x)	10	7	8	9	8	7	5
EV/EBIDTA(x)	4	3	41	77	44	28	19
FCF Yield(%)	-3.44	-1.08	-0.71	-0.55	-0.25	-0.20	0.09
Return Ratios (%)							
ROE	36%	55%	10%	5%	10%	15%	20%
ROCE	16%	24%	13%	8%	14%	20%	26%
RoIC	14%	19%	18%	8%	13%	17%	22%

Source: Company, D&B Research

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